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JULY 1990

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

INSURANCE
New ways to lure agents

GOLDEN OLDIES
Tapping the nostalgia craze

ENVIRONMENT
Pros & cons of 'green marketing'

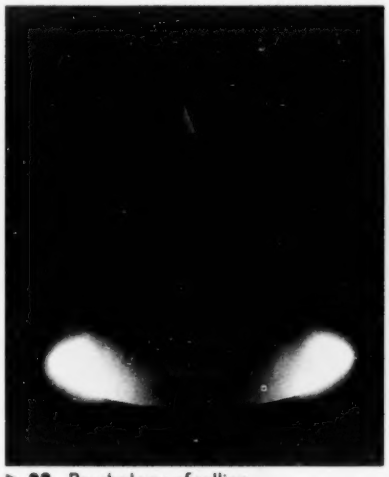
THE PSYCHOLOGY OF SELLING

SPECIAL SUPPLEMENT
How to Run an Incentive Program

A BILL PUBLICATION

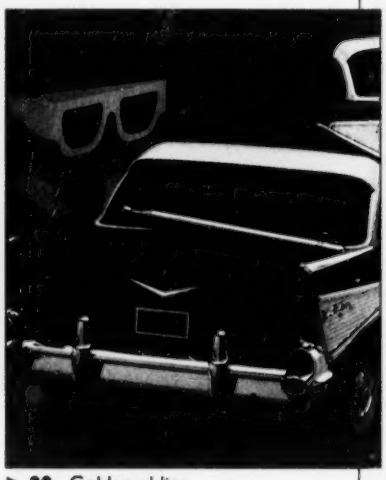
86TH YEAR, VOL. 164, NO. 7 JULY 1990

INCENTIVE



▶ 22. Psychology of selling

▶ 26. Turning 'green'



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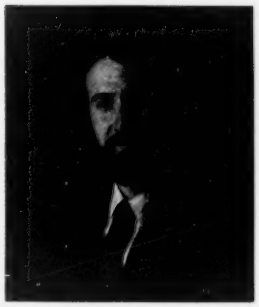
FROM THE EDITOR

THE RUST BELT REVISITED

BY BRUCE BOLGER



Have you heard anything in the media lately about the Rust Belt? Only a few years ago, you couldn't pick up a paper or watch the news without hearing about plant closings and the crumbling of America's industrial heartland.

The media may have forgotten about what happened in the Rust Belt, but the people who live there haven't. At least, that's the impression I got during recent visits to Cleveland and Akron.

During a taxi ride, the driver told me that he had worked at a tire factory for 20 years before losing his job in a plant closing. "In the end, you have to blame management," he told me. "They never took the steps that were needed to keep those jobs." When I pressed him for specifics, he said, "You never saw so much waste in all of your life. There was no emphasis on quality whatsoever. The word of the day was production, production, production. It didn't seem to matter how many defects we pushed out as long as we met those quotas."

Behind the factory where he worked, he claimed, lay an enormous pile of defective tires spewed out by a production line slow to respond to machinery foul-ups. I suggested that the employees must have played some role in all that inefficiency.

"Oh, sure," he said. "A lot of those guys came to work every day just to collect a paycheck. But the company never gave us any incentive (his word) to do better, to do more." The money was good, he assured me, but employees got the same pay and benefits no matter what they did.

An office worker I met later that day told a similar story. Her husband also had worked for a tire company before a plant closing cost him his job. She complained that her husband's company had repeatedly asked him to take pay cuts with the promise that the sacrifice would preserve jobs. "But they never seemed to do anything to rectify all the other problems at the plants. They called in all these experts from outside, but they never asked the people who worked there how to make it work."

Has the business world forgotten the Rust Belt? Did America put this episode behind it before fully understanding what happened? Is it possible that American businesses could have competed better had they motivated and empowered workers?

Or was the Rust Belt the result of an inevitable economic cycle? A failure to invest in new technology? Union intransigence? Cheap overseas labor? Or all of the above? Do our top business executives, our nation's policy leaders, know the real causes? Could it happen again in other industries—in ones that seem impregnable now?

Incentive will address these questions in an upcoming feature story. Stay tuned.

Bruce Bolger

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BUSINESS GIFTS

Companies are spending more on gifts for major customers and employees. Our survey report tells why.

When it comes to business gifts, more and more companies are taking to heart the old adage: It's better to give than to receive. **Incentive**'s latest gift-giving survey shows that generosity is growing. Companies plan to spend 9.5 percent more on business gifts this year than in 1989, marking the highest rise in nine years.

That would raise spending by $155 million to about $1.79 billion, up over last year's estimated $1.63 billion. The last gift-buying "spree" was recorded in 1981, when estimated usage soared by 18 percent. Usage rose about 8 percent in each of the next three years, but gift giving since 1985 has been relatively calm, rising between 2.7 and 6.7 percent each year.

The latest survey of 374 gift buyers indicates that about one company in four is buying more expensive gifts—but management is cutting back the number of people receiving them. Some 23 percent of respondents say they spent more per gift in their last purchases, and 25 percent expect to spend more this year. But the median gift-list size is down a bit, to 107 names from 125 names in last year's survey.

Respondents tag the median cost per gift at $20, the same as a year ago. The average cost, however, dipped from $88 to $57. While the median reflects a conservative adherence to tax rules—$25 is the maximum that can be deducted—the average shows that a considerable number of buyers choose to ignore the limit and, presumably, absorb the tax consequences of spending more.

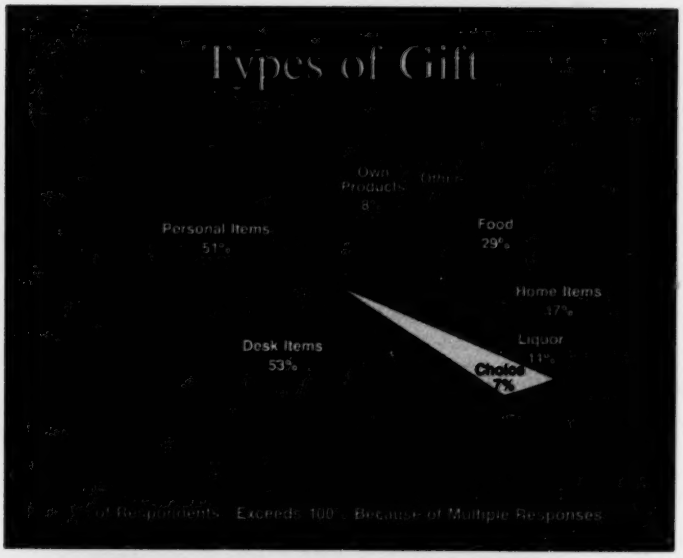
The largest single category of recipient? Major customers, as always, favored by 65 percent in this year's survey. Other recipients include: employees (42 percent), other customers (31 percent), prospects (19 percent) and stockholders (3 percent).

Christmas remains the top gift-giving period, with 74 percent of respondents wrapping gifts during the yuletide. New Year's, Thanksgiving, birthdays and company anniversaries are also popular occasions, picked by anywhere from 4 percent to 11 percent of executives. Actually, the second leading season mentioned is "other occasion," selected by 42 percent of respondents for this year. Such occasions include plant visits, trade shows, seminars, sales calls, company outings and meetings.

FACTS SURVEY

For example, one automotive-parts manufacturer uses several hundred gifts—ranging in cost from $7 to $12—as a "leave-behind memento of a visit, to leave the client/customer with a positive image of our company because of the utility of the business gift."

Lower-cost items are used by a Northeastern wholesaler for "reminder value." The director of marketing explains,



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Desk items and personal gifts, most with a corporate imprint, are popular with gift buyers.

"They are used in conjunction with direct sales calls to encourage customers or prospects to remember our company name when they need products we can supply."

Gifts also reward customers for making a visit, according to Frank D. McDonough, vice president of sales at the Amerex Corporation, Trussville, Ala. He gives out desk and personal items "for customer visits to manufacturing facilities and [for] some special occasions. It's our company's way of thanking customers for their loyalty and for taking the time from their business week to visit."

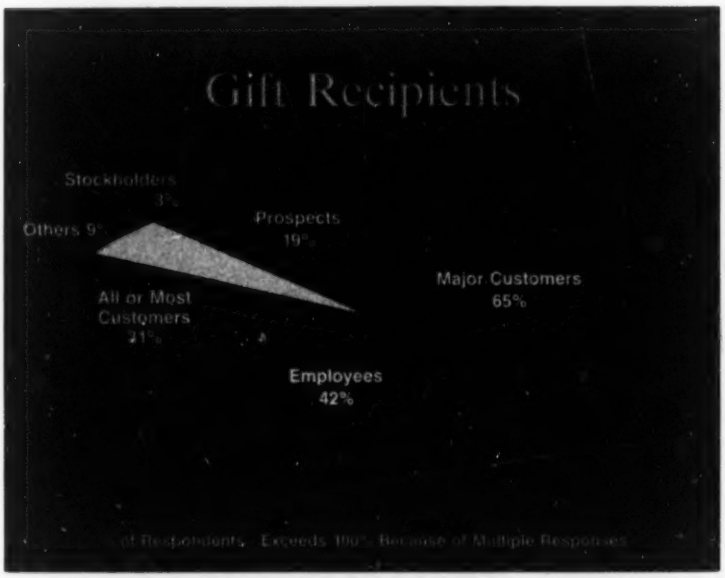
A West Coast maker of industrial chemicals turns the tables on vendors by presenting them with fairly expensive home and decorative items. According to an executive at the company, the practice bolsters rapport with major vendors "and attempts to somewhat equalize the gifts they give to us."

Respondents cite desk items as the gifts of choice (53 percent), with personal gifts a close second (51 percent). Food items are used by 29 percent, home or decorative gifts by 17 percent, and liquor by 14 percent. Eight percent give their own products, and 7 percent offer a choice from a catalogue.

Desk items offer clear advantages. At the General Color & Chemical Company, Minerva, Ohio, ceramic division manager Earl F. Breese III points out: "We give business gifts to put our name in their offices. If they need something now, our gift serves to jog their memory about our fast service. When it's time to reorder, our name and phone number are, hopefully, literally at their fingertips."

Similarly, a New York television production executive distributes a vast variety of gifts to customers and prospects, both at Christmas and during product launches. Most are custom-designed items with the company's imprint. "In the competitive television programming business," he says, "a creative and impactful gift clearly raises awareness among our customer base and enhances our image."

Certainly, buyer awareness grows when a company name or logo is imprinted on a gift, and 69 percent of surveyed executives say they prefer giving imprinted items. Only 30 percent personalize items with the recipi-



ent's name or initials. Generally, the larger the gift list and the more diverse the people on it, the less likely it is that the item will be personalized.

Company-imprinted personal items are used throughout the year by Daniel R. Bradshaw of the Lord Corporation, Erie, Pa., manufacturer of industrial adhesives. "I give gifts to customers and business associates as an appreciation of their efforts in selling our products or using them," he says. "When a new, large account is landed, I'm sure to reward the efforts of all involved—even the workers on the floor."

While gift recipients are of many types, they clearly do not include our survey respondents to any significant degree. The questionnaire asks how many gifts the executive personally receives each year; the present group receives a median of four gifts, one fewer than in last year's survey. Ironically, some say their companies have policies prohibiting acceptance of gifts.

How widespread are such policies? In this survey, the users told **Incentive** that they find anti-gift rules in an average of 27 percent of companies—with a median of 15 percent. This factor has remained relatively constant in our surveys, despite reports by some exec-

▶ Who does the buying?

Top management	65%
Sales/marketing management	26%
Advertising/promotion management	7%
Product/merchandising management	3%

▶ When are gifts bought?

January	9%
February	7%
March	7%
April	7%
May	5%
June	15%
July	11%
August	15%
September	26%
October	37%
November	30%
December	30%

▶ Sources of gifts

Direct from manufacturer	47%
Wholesaler or distributor	24%
Incentive representative	28%
Advertising specialty counselor	29%
Mail-order firm	13%
Retail store	13%
Incentive firm, jobber, stamp company	16%

▶ How are gifts delivered?

Salesperson	61%
Parcel delivery service	35%
Executive	31%
Mail	25%
Messenger	8%

▶ Where are gifts given?

Recipient's place of business	74%
Recipient's home	24%
Donor's place of business	24%

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utives that the incidence of such restrictions has increased: 39 percent said so in this year's survey. However, many add notes indicating a smaller problem than the numbers suggest. Government agencies, for example, are the largest area for anti-gift regulations. And while major gifts may be frowned on, smaller items under $20 or $25 are generally acceptable.

Higher-priced gifts are not unusual, however, and not generally considered evil. Some are given infrequently, for special reasons. A Midwestern machinery distributor who spends $50 to $150 for gifts, mostly desk items, for major customers, explains: "Most of our business gifts are given in recognition of length of service as a distributor or to a customer principal in recognition of a long-standing relationship."

Continuity of the business relationship is recognized by Art Bermingham, an account executive at Maritz Inc., an incentive company in Marietta, Ga. He gives moderately expensive personal gifts, he says, "as a thank-you for the continued relationship, regardless of the current level of business between a company and mine. Most of my clients are not in my [geographic] area, so other types of recognition (i.e., lunches, entertainment) are not possible."

Most gifts reach their destinations through salespeople. This is a reflection of the growing trend to use business gifts for specific sales-related reasons rather than the pure good will ascribed to the practice in the past. Survey respondents tell us that fully 61 percent of gifts are given to customers by salespeople. Executives, once the principal bearers of gifts, now figure in the practices of only 31 percent. Others, of course, are sent by mail. And some companies use more than one means of reaching recipients.

CONTINUED ON PAGE 114

TOP BUSINESS GIFTS

Food gifts	30%
Clocks/watches	22%
Pens/pencils	20%
Calendars/diaries/desk planners	19%
Apparel/caps	11%
Desk sets	9%
Electronic items	9%
Glassware/crystal	9%
Coffee mugs	8%
Wine/liquor	8%
Attaches/portfolios	7%
Calculators	7%
Golf items	6%
Knives	4%
Books	3%
Home/decorative	3%
Luggage	3%
Sporting goods	3%
Trips	3%
Trophies/plaques	3%
Cameras	2%
Flowers/plants	2%
Gift choice/certificates	2%
Housewares	2%
Jewelry	2%
Key chains	2%
Note pads	2%
Personal grooming items	2%
Rulers	2%
Tools	2%

Percentage of respondents selecting each item

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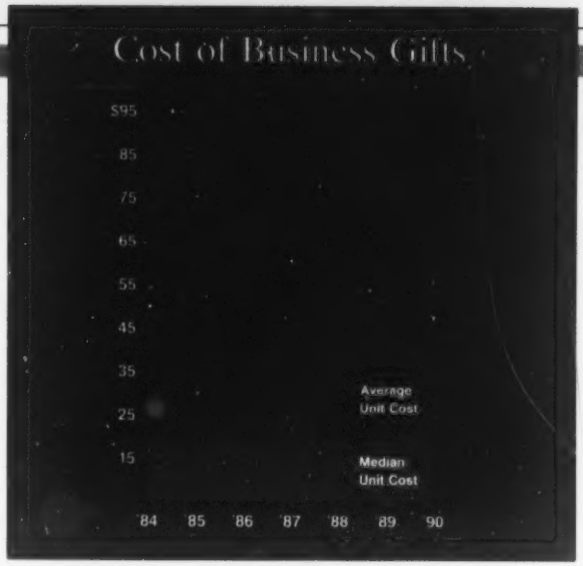
CONTINUED FROM PAGE 76

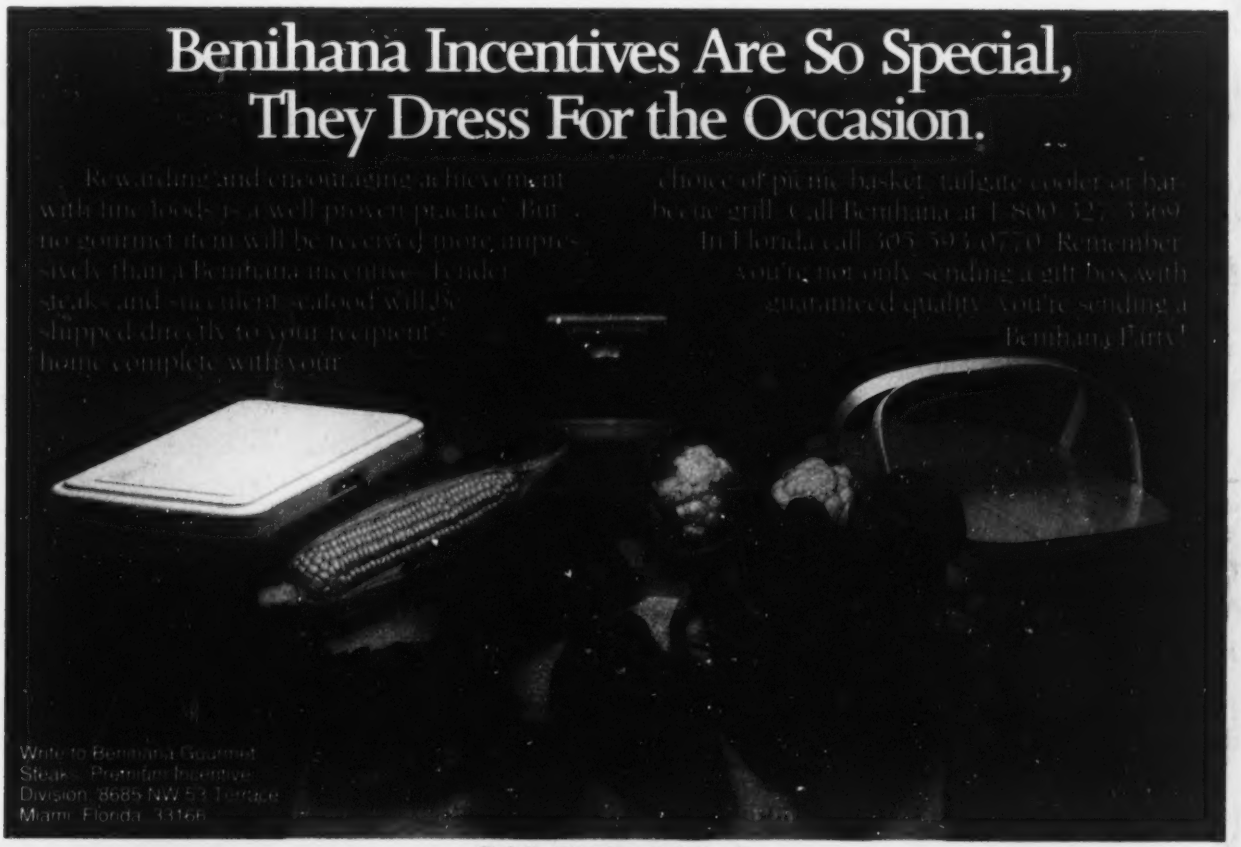
The underlying question that always attends business gifts is whether they exert undue influence on buying decisions: Do they verge on "bribery"? The survey asked whether the executives believe their gifts have ever "improperly influenced" a customer's buying decision; only 9 percent recognize this possibility. On the corollary question —whether gifts they received have been intended to influence them improperly—13 percent concede that might have been the case.



But most gift buyers negate such impressions with words like "good will," "rapport," "care" and "thank you." Says Erick Zwick, resource manager of Northeastern Consulting, Dayton, Ohio: "I give gifts because the client will see my gift and be reminded of our personal relationship and then use my product because it is also of high quality. A benefit is rapport, [which personalizes] the fast pace of doing business. Clients like to know they are cared about as people too."

An Eastern industrial chemical manufacturer who gives a few $25 personal gifts to major customers states: "I view it as good will—a way of saying, 'Thank you for being a good business partner, and it's a joy doing business with you.' It is important to me that good customers are not taken for granted."

Nicholas Park, regional manager of the Simmons Supply Company, Portland, Ore., gives personal gifts—golf items, chocolates and games—as well as food and liquor to his top customers at Christmas and on birthdays. It is "a means of expressing appreciation for the business my customers choose to give me," he says. "If they perceive I care about their business, they are right. I want them to see that. That is the benefit, plus the fact that it solidifies the relationship we have, which includes their buying from me." □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